

The Honorable John R. Block
Prepared Remarks
before the
House Ways & Means Committee
Subcommittee on Trade
Hearing on U.S.-Cuba Policy
April 29, 2010

Chairman Tanner, Ranking Member Brady, and distinguished Members of the Subcommittee, my name is John Block, and it is a privilege to testify before you today.

After graduating from West Point and serving for several years in the United States Army, I returned to our family farm in Knox County, Illinois, where I still produce hogs, corn and soybeans. For five years, I had the high honor of serving as President Reagan's Secretary of Agriculture. Since leaving government, I have enjoyed opportunities in the private and public sectors relating to agriculture, exports, nutrition, and food policy. I currently serve as a Senior Policy Advisor at Olsson Frank Weeda Terman Bode Matz, but I am speaking to you today as a private citizen.

I come before you as a strong supporter of fully opening Cuba to trade and travel. Ending our trade and travel embargoes against Cuba will be good for both the American people and the Cuban people. It will be good for American agriculture, and most importantly it will advance human rights and human liberty.

I remember vividly the first meeting of President Reagan's Cabinet (which was actually held a week before his inauguration). We were each asked to describe the priority issues for our departments. I spoke up and urged the President to take immediate action on his campaign promise to end the grain embargo against the Soviet Union.

Secretary of State Alexander Haig disagreed. He told the President the grain embargo should only be lifted in exchange for concessions from the Soviets. But President Reagan, who had no love whatsoever for what he called "godless Communism," would not go back on his word to the American people or the American farmer. Within the first hundred days of his presidency, he unilaterally ended the grain embargo, because he believed that selling grain to the Soviet Union was the right thing to do. It would benefit American farmers and Russian families. It would communicate to the Russian people that the United States of America was their friend, and was committed to their nourishment and ultimately their liberty. Selling grain to the Soviet Union, like President Reagan's speech at the Berlin Wall, helped to advance the cause of freedom and contributed to the fall of the "evil empire."

President Reagan was no fan of Fidel Castro, who during the 1980s was supporting military ventures in Africa and in Latin America. But if Ronald Reagan taught us anything, it was to

reach out to foreign citizens, wherever we could, even where they live under communist dictatorships. Measured by these American principles, President Obama should be opening trade and tourism with Cuba, just the way that President Reagan opened trade and tourism with the Soviet Union. For fifty years, we have tried to use sanctions to force the Cuban people to get rid of communism, and our policy has totally failed.

Congress and the Obama administration now have the opportunity to change these failed policies and replace them with the kind of policies that worked to end the Cold War: free trade, freedom to travel, the free exchange of ideas. These policies will let the Cuban people know that we Americans are on their side, no matter what their government says about ours.

A strong step in this direction is represented by the Peterson-Moran legislation, H.R. 4645 [also known as The Travel Restriction Reform and Export and Enhancement Act.] It contains provisions that remove key barriers to agriculture exports to Cuba, and ends restrictions on the ability of all Americans to travel to Cuba.

Congress needs to act immediately to restore the free flow of agricultural exports under the Trade Sanctions Reform and Export Enhancement Act of 2000. After a slow beginning, Cuba became reliable customer for American agriculture, purchasing on average \$320 million in U.S. product each year. Many of these exports were specialized crops, shipped by smaller companies. Sales were permitted to take place under two payment methods: cash in advance or foreign letters of credit.

In 2005, the Treasury Department contradicted the intent of Congress and changed the plain meaning of cash in advance, from cash in advance of *delivery* to cash in advance of *shipment*. This introduced all kinds of havoc into a system that was working well. Forcing the Cuban buyer to pay for goods before they leave U.S. territory could open the goods up to seizure for unrelated claims against Cuba's government. That's why no cash-based sales have taken place since 2005.

Instead, all U.S. export trade with Cuba has had to be done via foreign letters of credit, which must be routed through a third country bank. These extra-legal restrictions work to favor multinational companies, and they work to exclude the smaller producers and processors who were pioneers in opening the new agricultural trade with Cuba. I look at these restrictions, instituted by our own Treasury Department, as trade sanctions directed against American farmers and ranchers.

These trade sanctions against American agriculture have delivered the Cuban market into the arms of our competitors. The Brazilians, the Canadians, the Chinese, the Vietnamese, members of the European Union and others have been delighted to pick up market shares that once belonged to U.S. producers. U.S. exports to Cuba fell 26% last year, and they are down another 61% in this quarter alone.

Congress provided temporary relief from these anti-agriculture sanctions in the 2010 Treasury Department appropriations bill and restored the old definition of cash in advance. But this language, implemented only last month, expires on October 1st of this year; after which it will revert to the 2005 Treasury rule. The American farmer will again be held hostage until this problem is resolved permanently.

Congress needs to pass the Peterson-Moran bill, which among other features clarifies the terms under which Cuba must pay cash in advance. It also authorizes direct wire transfers to U.S. sellers of cash payments made by Cuban buyers. By removing a needless cost burden against U.S. agriculture, the Peterson-Moran legislation would narrow the competitive advantage enjoyed by foreign competitors. It would restore the appeal of buying American farm and ranch products because of the quality, ease, and practicality of buying from a local neighbor.

It is preferable for Cuba to buy agriculture products from the United States that require 2 days of shipping rather than doing business with Brazil, for example, and building 26 days into their planning instead. Returning the terms of commerce to what Congress intended will make a real difference.

Finally, and importantly, the Peterson-Moran legislation lifts the travel ban on Cuba, not just for farmers, but for everybody. This provision will be an essential driver of greater sales of food to Cuba.

More visitors will increase demand for imported agriculture products. But feeding tourists is only a small part of the potential that the Cuban market holds for U.S. agricultural commodities. As demand goes up, Cubans will eat better, because the majority of food imported by Cuba will be consumed by ordinary Cubans. More jobs and tip income for Cubans generated by more visitors will spur even greater demand for imported food.

I believe travel creates a virtuous circle that will boost profits and jobs for U.S. agriculture and provide better nutrition and more economic opportunity for average Cubans.

And shouldn't our country set an example? If we want to criticize Cuba for limiting the right of its people to travel – and we should – our criticism would feel more authentic if we stopped banning Americans from traveling to the one place in the world they cannot go, Cuba.

Chairman Tanner, Ranking Member Brady, and distinguished Members of the Subcommittee, Americans are having a tough time economically right now. We have nearly ten percent unemployment in this country. Last year, farm income was down twenty percent. It's starting to recover, but the forecast for this year is still \$1.4 billion below the average for farm income over the last ten years. Congress is going to look for ways to cut deficits. One of the best ways to reduce the amount of money spent on farm programs is to open up more markets to American agricultural exports.

We need to put our people to work. Sitting right in front of you is the Peterson-Moran bill which would increase farm exports to Cuba by nearly \$500 million and create more than 6,000 jobs in agriculture and related sectors. In addition, some estimate that by ending the travel ban, this bill would create thousands more jobs and more than a billion dollars worth of additional economic activity. That's what you can do for Americans.

But the Cuban people are having a tough time too, economically and politically, and now you have to decide, what's the right thing to do for them? Keep the same failed policies in place? Wait and extract a concession from Cuba's government?

Those options were presented to President Reagan thirty years ago in regard to the Russian grain embargo, and, thank God, he rejected them. I believe his decision contributed substantially to the end of the Cold War.

Doing right by the Cuban people means passing Peterson-Moran, so we can expand trade and open up Cuba to travel by all Americans. These steps won't change Cuba overnight, but we won't have to wait fifty years to see results either. By building a relationship directly with the Cuban people, without waiting for concessions or gestures from Cuba's government, we will, over time, begin transforming that country into a friendly democracy, while affirming our faith in freedom and the strength of our system. These reforms are long overdue, and I urge this Congress to have courage and to pass the legislation to make them happen.

Thank you and I would be happy to answer any questions you may have.

Committee on Ways and Means
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

Your Name: Mr. John Block		
1. Are you testifying on behalf of a Federal, State, or local Government entity?	Yes	<input checked="" type="radio"/> No
2. Are you testifying on behalf of an entity other than a Government entity?	Yes	<input checked="" type="radio"/> No
3. Please list any Federal grants or contracts (including subgrants or subcontracts) which <u>you have received</u> since October 1, 1999: _____		
4. Other than yourself, please list what entity or entities you are representing: _____		
5. If your answer to question number 2 is yes, please list any offices or elected positions held or briefly describe your representational capacity with the entities disclosed in question number 4: _____		
6. If your answer to question number 2 is yes, do any of the entities disclosed in question number 4 have parent organizations, subsidiaries, or partnerships whom you are not representing?	Yes	No
7. If the answer to question number 2 is yes, please list any Federal grants or contracts (including subgrants or subcontracts) which were received by the entities listed under question 4 since October 1, 1999, which exceed 10 percent of the entities revenue in the year received, including the source and amount of each grant or contract to be listed: _____		
Signature: <u>John R Block</u> Date: <u>4-27-10</u>		